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MEMORANDUM FOR: Director of Central Intelligence
THROUGH : Deputy Director of Central Intelligence
FROM : Executive Director
SUBJECT : Guidance on Future Agency Retirement Program

1. Changes in civil service retirement programs appear inevitable in 1985. Congress by its own law must pass legislation to supplement Social Security benefits for those federal employees hired after January 1, 1984. That legislation will only apply (for now) to a small number of current Agency employees, but the policy decisions reached in framing the new legislation will unquestionably then be applied to the existing civil service retirement system. In other words, we expect that the decisions about the new supplemental program will be the basis for subsequent reshaping of the existing civil service retirement program. This situation, while potentially threatening to our ability to attract the very talented employees we will always need, also offers us many opportunities.

2. There has been considerable debate internally about what we should do. We have, however, basic agreement on what it is we should seek for our employees in the future. Before laying out the principles we would hope to see embodied in future legislation, I point out that most agree that a tidal wave of change is coming and that it is futile to resist those areas of change which do not specifically affect the achievement of our

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mission. For example, while we may not like them, we as an agency have no persuasive argument to exempt Agency employees from such possible government-wide changes as increasing the amount of the annual employee contribution from 7 to 9 percent, cost-of-living indexing, or changing the salary computation base (currently based on the employee's "high three" average salary but possibly to be changed to a "high five" basis.) We shouldn't waste time fighting what we can't win.

3. To enable the Agency to achieve its mission, a revised retirement plan should:

- a. help us maintain a young and vigorous work force;
- b. contribute, as part of the total employee compensation package, to our efforts to recruit and retain employees for a full career;
- c. retain the Director's management flexibility as now exists in the Central Intelligence Agency Disability (CIARDS) and should extend this flexibility to all employees;
- d. be set up in such a way as to enable us to protect the identity and security of all our employees;
- e. specifically reward overseas service, especially a

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career of overseas service.

4. To achieve these objectives, we propose that a retirement plan be crafted according to the following general guidelines.

- a. The Agency should have a single plan that treats all employees equitably. It is undesirable to have one program for employees hired before 1 January 84 and a different program for those hired thereafter. (It is understood that this single plan will consist of Social Security plus a special supplement annuity program for our employees. It may be necessary to try to achieve this goal in two steps, with a supplemental system for new employees first, followed by subsequent action to bring our present program into conformity.)
- b. The plan should retain the early retirement eligibility which now exists under CIARDS for employees with qualifying dangerous or stressful service time, without reduction of benefits. Specifically, we must retain our existing authorities to allow people to retire at age 50 with 20 years of service. (In practice, the average age of CIARDS retirees over the last three years has been 53.2. Given the fact that most people don't retire on the day of eligibility and require a little run-up time, we think CIARDS is achieving the objectives for which it

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was designed, to wit, an early 50's retirement.) We should also retain management flexibility for those who do not qualify for CIARDS benefits and allow them to retire at age 55 with 30 years of service, the current civil service formula. (Even with this existing authority, our non-CIARDS employees retire at an average age of ~~50~~⁵², which again is about where we should be.)

- c. The plan should reward all employees equally for dangerous or stressful service as now outlined in the qualifying criteria for CIARDS. At present, an anomalous situation exists in which people overseas suffering the same threats, risks and disadvantages are being compensated differently in their retirement compensation, depending on whether they have qualified for CIARDS. This inequity is stark when it is noted that, at present, 62 percent of our people overseas are not CIARDS participants. Our specific proposal is that employees serving overseas or in other qualified service should accrue retirement benefits at a specific flat rate, not to be less than 2 1/2 percent per year. (The present CIARDS accrual rate per year is 2 percent, but FBI and other law enforcement agencies have an accrual rate of 2 1/2 percent. Recent history has made it painfully obvious that overseas service with CIA is considerably more dangerous than domestic law enforcement.) Agency employees overseas should get at

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least equivalency with domestic law enforcement agencies. During non-overseas periods on duty, CIARDS participants will accrue at 2 percent; non-CIARDS at whatever rate is given to other civil servants.

- d. The desired single CIA retirement plan should, for security reasons, be totally administered by the Agency (as we now do with CIARDS). Within the single plan will be a subset, which will be what we now call CIARDS.
- e. The plan should include a system for employees to voluntarily contribute more to their retirement program, a contribution to be matched at 50 percent by the Agency up to a limit of 6 percent of the employee's salary. (Current indications are that Congress will pass such a thrift plan to parallel the 401(k) plans available in industry.)
- f. To maintain a young and vigorous work force, we should consider including a disincentive factor for those who stay beyond a certain retirement date. Such a disincentive could, for example, be an accrual rate which drops a certain percentage each year after a designated age or years of service.
- g. Given our specialized mission and requirements, the cost of our program should not be lower than that of any

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single federal program.

5. Our intelligence coverage on the retirement scene is pretty good insofar as developments on the Hill and among the lobby groups are concerned. We are less knowledgeable about Administration plans and are worried lest a sudden agreement be concluded between the Executive and Legislative branches. To protect our interest, we must avoid such an intelligence surprise. Candidly, you are our best early warning source to provide sufficient advance notice to allow time to get our views to the appropriate committees. We have initiated steps to draft legislative proposals and will move forward smartly upon receipt of your approvals of the above policy guidelines.

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CONCUR:

Deputy Director of Central Intelligence

Date

APPROVED:

Director of Central Intelligence

Date**SECRET**

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